

***AN APPRAISAL OF PARCEL 541,
26.98 ACRES LOCATED IN PART OF THE NORTHEAST ¼
LYING NORTHEAST OF INTERSTATE 90, SECTION 34,
TOWNSHIP 2 NORTH, RANGE 2 EAST, GALLATIN COUNTY,
MONTANA***

***DATE OF VALUATION
AUGUST 21, 2008***

FOR

***MONTANA DEPARTMENT OF NATURAL RESOURCES AND
CONSERVATION TRUST LAND MANAGEMENT DIVISION
1625 ELEVENTH AVENUE, HELENA, MT 59620***

***BY
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September 2, 2008

Montana DNRC Trust Land Management Division
c/o Tom Konency, Appraiser
P.O. Box 201601
Helena, MT 59620-1601

RE: Parcel 541 - 26.68 acres of land located in part of the NE ¼ lying NE of Interstate 90, Section 34, Township 2 North, Range 2 East, Gallatin County, Montana. The property is located near the I-90/Loagan, Montana off-ramp. The geo-code for the property is 0611063410101000

Dear Tom:

In accordance with the contract with the Department of Natural Resources and Conservation, Trust Land Management Division, I have made the necessary inspection and analysis to appraise the above referenced property. The attached report provides the essential data, and detailed reasoning employed in estimating my final value estimate. The report contains 34 pages excluding the addenda.

I have appraised the property as a whole, owned in fee simple and unencumbered. **In addition, the value reported assumes the subject property has legal access.** I assume no responsibility for matters that are legal in nature nor do I render any opinion as to title.

The property being appraised is identified as Parcel 541 and consists of 26.68 acres of land located in part of the NE ¼ lying NE of Interstate 90, Section 34, Township 2 North, Range 2 East, Gallatin County, Montana. The property is located near the I-90/Loagan, Montana off-ramp. The geo-code for the property is 0611063410101000.

The value reported is qualified by certain definitions, assumptions and limiting conditions, extraordinary assumptions and certification, which are set forth within the attached report. The analysis contained herein is considered to be a complete appraisal, and is presented in a summary appraisal report format. This appraisal report is intended to conform to the Uniform Standards of Professional Appraisal Practice, FIRREA and DNRC reporting requirements.

Based on my analysis, the market value of the subject property, as set forth, documented and qualified in the attached report under conditions prevailing on August 21, 2008 is:

Two Hundred Ninety Three Thousand Five Hundred Dollars*
\$293,500*

* This value is subject to the Hypothetical Conditions on pages 8 & 9.

I direct your attention to the data, discussions and conclusions which follow.

Respectfully submitted,

Gregory A. Thornquist
Montana State Certified
General Real Estate Appraiser #867

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ADDENDA:

Contract

Scope of Work

Montana Cadastral Map

State of Montana - General Parcel Information

Comparable Land Sales with Photographs

Qualifications of the Appraisers

State License

SUBJECT PROPERTY PHOTOGRAPH



View of the subject looking northwest.
Photograph taken from near the north boundary.



Arial view of subject

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

<i>PURPORTED OWNER:</i>	State of Montana
<i>PROPERTY TYPE:</i>	Vacant land
<i>LOCATION OF PROPERTY:</i>	¼ mile west of the I-90/Logan, MT off-ramp. The property is situated between the I-90 and the frontage road.
<i>SITE:</i>	26.68 acres
<i>PROPERTY RIGHTS APPRAISED:</i>	Fee Simple (See Hypothetical Conditions on page 7)
<i>ZONING:</i>	none
<i>PRESENT USE:</i>	Vacant agricultural grazing land
<i>HIGHEST AND BEST USE:</i>	Commercial/Industrial
<i>DATE OF VALUATION:</i>	August 21, 2008
<i>VALUE:</i>	\$293,500*

* This value is subject to the Hypothetical Conditions on pages 8 & 9.

ASSUMPTIONS AND LIMITING CONDITIONS

This is to certify that the appraiser, in submitting this statement and opinion of value of subject property, acted in accordance with and was bound by the following principles, limiting conditions and assumptions. Unauthorized use of this report is set forth below.

1. No responsibility is assumed for matters that are legal in nature nor is any opinion rendered on title of property appraised.
2. Unless otherwise noted, the property has been appraised as though free and clear of all encumbrances.
3. Where the values of the land and the improvements are shown separately, the value of each is segregated only as an aid to better estimate the value which it lends to the whole parcel, rather than value of that particular item if it were by itself.
4. All maps, areas, plans, specifications, and other data furnished your appraiser were assumed to be correct. No survey of the property was made by this firm. Furthermore, all numerical references to linear measurements, area, volume or angular measurements should be assumed to be "more or less" (+/-) and are accurate to a degree consistent with their use for valuation purposes.
5. This appraisal considers only surface rights to the property with consideration of current zoning and land use controls. The estimate of **highest and best** use will form the basis for the value estimate. This appraisal does not consider mineral, gas, oil or other natural resource rights that may be inherent in the ownership of the property.
6. In this appraisal assignment, any potentially hazardous material found on the land or used in the construction of the buildings, such as urea formaldehyde foam insulation, petroleum residue, asbestos and/or existence of toxic waste or gases, which may or may not be present on the property, has not been considered. The appraiser is not qualified to detect such substances. Any interested party is urged to retain an expert in this field if there is any question regarding such potentially hazardous material. If such material or substance is present it could adversely affect the value reported herein.
7. The appraiser is not a seismologist. This appraisal should not be relied upon as to whether a seismic problem exists, or does not actually exist on the property. The property which is the subject of this appraisal is within a geographic area where earthquakes and other seismic disturbances have previously occurred and where they may occur again. Except as specifically indicated in the report, no seismic or geologic studies have been provided to the appraiser concerning the geologic and/or seismic condition of the property. The appraiser assumes no responsibility for the possible affect on subject property on seismic activity and/or earthquakes. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed seismic requirements by the City or County. It is possible that a survey of the property could reveal that the property does not meet the required seismic requirements. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible noncompliance requirements in estimating the value of the property

8. All data contained in this report and in the appraiser's files, as obtained from other sources, upon which to any degree the opinions and conclusions were based, are considered reliable and believed to be true and correct. However, the appraiser does not assume responsibility for the accuracy of such items that were obtained from other parties.
9. There shall be no obligation to give testimony or attendance in court by reason of this appraisal with reference to the property in question unless arrangements have been previously made and at an additional fee.
10. Neither all nor any part of the contents of this report, especially the conclusions as to value, the identity of the appraiser or the firm with which he is connected shall be disseminated to the public through advertising media, news media, public relations media, sales media, or any other public means of communication without the prior written consent of the appraiser.
11. Gregory A. Thornquist does not authorize the out-of-context quoting from, or partial reprinting of this appraisal report.
12. The liability of Gregory A. Thornquist is limited to the client and to the fee collected. Further, there is no accountability, obligations or liability to any third party. If this report is placed in the hands of anyone other than client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraiser assumes no responsibility for any costs incurred to discover or correct any deficiencies of any type present in the property; physically, financially, or of a legal nature.
13. The fee for this appraisal report is for the service rendered and not for time spent on the physical report or for the physical report itself.
14. This appraisal report is prepared for the sole and exclusive use of the client, State of Montana, Montana DNRC Trust Land Management Division. No third parties are authorized to rely upon this report without the expressed written consent of the appraiser.
15. This Summary Appraisal Report is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it presents only summary discussions of the data, reasoning, and analysis that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning and analysis is contained in the appraiser's file.

EXTRAORDINARY ASSUMPTION AND LIMITING CONDITION

1. As noted in the "Supplemental Appraisal Instructions" my appraisal assignment is to appraise the property as though legal access exists. *"Landlocked parcels, (parcels with no legal access), will be appraised with the hypothetical condition of having legal access and should be appraised as the property currently exists, which is without legal access, ("as is"). If evidence through reasonably recent sales of comparable properties is available in the subject's market or similar markets, provide the value of the subject property, as it currently exists without access. Include details of an adjustment in appraised value due to lack of access. If no evidence through reasonably recent sales of comparable properties is found in the subject's market or similar markets, and thus no "as is" value can be properly supported, then state such in the report. As with lack of legal access, adjustments for additional items such as lack of land improvements, etc. will be*

supported by analysis of the pertinent subject market data through sales pairings or other analytical methodology. In moderately to rapidly changing markets, historic information may not be as relevant as more current market information. (Note: Access typically consists of two parts; legal access and physical accessibility. The above references to access, hypothetical and “as is” are in regards to legal access. The physical accessibility to the subject parcel is to be appraised as it currently exists.). This is further addressed in “Property Valuation” section of the report.

2. Although the subject property is leased, this appraisal assumes that the current lease does not exist. This is part of the scope of the assignment and is noted in the “Supplemental Appraisal Instructions”
3. The net area utilized in this analysis was determined from the State of Montana’s Cadastral Mapping at 26.68 acres. If this differs significantly from what actually exists the value reported in this appraisal may not be considered reliable

SCOPE OF THE APPRAISAL

I initially spoke with Tom Konency, appraiser with the Montana DNRC Trust Land Management Division and I was retained to appraise the subject property. Mr. Konency provided me with the following information:

- Scope of work
- Parcel description
- Contact information for inspecting the subject property

The estimated value for the subject property is based upon market data but is also controlled by the **“Assignment Conditions”** as provided to me by the client. A copy of these conditions is contained in the addenda as a part of the contract.

On August 21, 2008 I met with Craig Campbell, DNRC Unit Manager, and he accompanied me to the subject site. Mr. Campbell noted there is a small triangular, non-contiguous parcel that is situated between the active rail line and the frontage road. In addition, the subject includes that portion of the Montana Department of Transportation easement for Interstate 90. I relied upon the State of Montana’s Cadastral Mapping to determine the net area utilized in this analysis.

The subject property is leased to Oak Crest Properties, LLC and is currently used as agricultural grazing land.

General information pertaining to the subject property was also obtained from the Gallatin County Courthouse.

The neighborhood and surrounding competitive market areas were researched to find comparable market data. Real Estate agents, property owners, and real estate appraisers in Bozeman were interviewed in an attempt to find relevant market data. This market data has been confirmed by personal contact with the buyer, seller, broker, and/or property owner.

All of the comparables described in the body of the report are shown in detail on the summary sheets included in the addenda.

Effective Date:

The effective date of this appraisal report is August 21, 2008. This is the date of valuation and was the actual date of the property inspection. This appraisal report was completed September 2, 2008.

DEFINITION OF MARKET VALUE

Market value, as used in this report, was provided by the client and is defined as follows:

Current Fair Market Value (MCA 70-30-313) Current Fair Market Value is the price that would be agreed to by a willing and informed seller and buyer, taking into consideration, but not limited to, the following factors:

- (1) the highest and best reasonably available use and its value for such use, provided current use may not be presumed to be the highest and best use;
- (2) the machinery, equipment, and fixtures forming part of the real estate taken; and any other relevant factors as to which evidence is offered.

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to provide the clients with a credible opinion of Current Fair Market Value of the appraised subject property.

INTENDED USE OF THE APPRAISAL AND INTENDED CLIENT

The intended use of this appraisal is for the decision making process concerning the potential sale of the subject property. The clients and intended users are the State of Montana, the Montana Board of Land Commissioners and the Department of Natural Resources and Conservation (DNRC).

PROPERTY RIGHTS APPRAISED

This appraisal is made with the understanding and assumption that present ownership of the subject property includes all rights that may be lawfully owned, and is therefore, titled in fee simple as of August 21, 2008. A fee simple estate is subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.

State of Montana lands are always to be appraised as if they are in private ownership and could be sold on the open market and are to be appraised in **Fee Simple interest**. For analysis purposes, properties that have leases or licenses on them are to be appraised with the Hypothetical Condition the leases/licenses do not exist.

IDENTIFICATION OF PROPERTY AND LEGAL DESCRIPTION

The property which is the subject matter of this report consists of 26.68 acres of land owned by the State of Montana. This 26.68 acre site is located near the town of Logan, MT., and approximately 1/4 west of the I-90/Logan off-ramp. The legal description for the subject site as provided to me is as follows:

Parcel 541: Part of the NE 1/4 lying NE of Interstate 90, Section 34, Township 2 North, Range 2 East, Gallatin County, Montana. The Geo-code for the subject property is 06110634101010000.

PURPORTED OWNER

The subject parcel is owned by the State of Montana.

SALES HISTORY OF THE PROPERTY

The subject parcel has been owned by the State of Montana for a number of years. The subject of this appraisal will be made available for public sale and as of the date of this report no sale has occurred.

REGIONAL MAP



REGIONAL AND CITY ANALYSIS

Gallatin County is the most populated and fastest growing county in southwest Montana. Bozeman is the fourth largest city in Montana, nestled in the Rocky Mountains. It is close to world-class downhill skiing, blue ribbon trout streams, Yellowstone National Park and other outdoor activities in the pristine nearby wilderness areas. Gallatin County covers over 2,500 square miles of mountain lands varying in topography and climate from temperate river valleys to snow-capped peaks and open ranch lands. Nearly half of all the land in Gallatin County is under public ownership by the Gallatin National Forest, State of Montana, Bureau of Land Management or the National Park Service. Gallatin County is large and diverse, featuring everything from the spectacular scenery of Yellowstone National Park to lush farmland, and a growing economy of high-tech industries. Gallatin County offers opportunities to outdoor enthusiasts, wildlife watchers, business owners, vacationers, ranchers, retirees, students and many others.

Forces Influencing Property Values

The value of real estate is influenced by the interaction of four major forces: Social considerations, economic considerations, government and environmental considerations. The four forces are discussed as follows:

Social Considerations

Social forces are exerted largely by population characteristics, including population growth, density, and age distribution. The 2000 census and July 2007 population estimates for Bozeman and Gallatin County are as follows:

	<u>2000 Census</u>	<u>July 2007 estimates</u>	<u>% Increase</u>
City of Bozeman	27,509	37,981	38%
Gallatin County	67,831	87,359	29%

Bozeman and its surrounding communities, like much of Montana, have seen a large influx of people from the neighboring northwest states. Overcrowding in larger cities has influenced moving to areas that offer smaller and often safer communities. Like much of Montana, Bozeman and the surrounding communities offer a very attractive physical environment. For Gallatin County the median household income for 2005 was \$45,312.

Vast public lands are also available within the region providing numerous opportunities for big game hunters, outfitters, hikers, backpackers, alpine skiers, and the use of snow machines. There are a number of ski hills that range from small, locally owned and operated, to Big Sky Resort near

Bozeman which is one of the largest ski hills in this region.

The City of Bozeman has numerous city parks, golf courses, and a number of facilities offering cultural events.

Economic Considerations

Bozeman, like the rest of Montana has been experiencing growth of its economy for the past several years. In the long run, the outlook for Bozeman and the vicinity is quite positive based on a number of factors:

- X County seat for Gallatin County.
- X Central location
- X Influx of population
- X Wide range of skills in the labor force
- X Montana State University
- X Tourism

Bozeman has a diversified skilled labor force and community expansion continually creates new employment. Unemployment rates have averaged approximately .% below the State of Montana rate, and almost 1% below the national average rate. As of July 2008 the unemployment rate for the United States was 5.7% and Montana's unemployment rate was at 4.0%. With the current strong economic conditions, construction employment has increased with the surge of new development in Bozeman and surrounding communities. Bozeman has experienced several years of residential and commercial growth. As home prices increased in Bozeman residential development increased in the surrounding communities of Belgrade, Manhattan, Three Forks, etc. Commercial construction has been prevalent throughout the city limits where land is available. Any commercial or residential development next to the existing city limits will cause extension of city services and annexation. Large discount stores, banking facilities, office buildings, numerous strip centers and multi family developments have been constructed recently. Property values have appreciated and sales activity has remained strong. Bozeman's economy and Montana's economy in general, is considered to be stable and is currently experiencing mild to moderate growth.

Governmental Considerations

The City of Bozeman enjoys good quality police and fire protection. The city government has a mayor, four city commissioners, and a city manager. Adequate schools are available at all levels of education. There are eleven elementary and middle schools. Bozeman has one public high school and there are a variety of private schools. Montana State University is located in Bozeman which had

an enrollment in 2007 of 12,170.

Bozeman zoning ordinances and building codes are consistent with guidelines required for responsible construction quality and orderly growth in defined areas.

Property taxes are administered by the city, county, and school districts. There is no sales tax in Montana.

Environmental Considerations

Environmental and physical forces, both natural and man made can influence property values. These forces include climatic conditions, topography and natural barriers, and transportation systems.

The climate near Bozeman can best be described as modified continental. Continental climate means the summers are dry and hot, and the winters are cold. The average summer temperatures in Bozeman are 70s and 80s with lows in the mid 40s to low 50s. The winter months average temperatures in the 30s and 40s and the annual mean snowfall is 73.1 inches. A milder climate helps reduce operating costs for business, and furthermore it helps to extend the effective life for many buildings.

Bozeman is located along Interstate 90 and several commercial and charter airlines provide air service to the Bozeman. There are commercial and charter bus services, motor carriers, and two railroads.

Parts of Montana are subject to seismic activity which has been minimal and apparently not affected property values.

Conclusion

The large secondary educational presence and tourism coupled with significant residential and commercial growth has allowed Bozeman and the surrounding communities to experience stable or better economic conditions in years past. Future economic conditions should remain stable or better as population and income levels rise, and tourism becomes ever more popular. Property values should steadily appreciate as they have in the past.

NEIGHBORHOOD DATA AND TRENDS

The subject is located ¼ mile west of Logan, Montana, approximately 6 miles east of Three Forks and 24 miles northwest of Bozeman. The neighborhood is predominately single family residences, commercial, industrial, agricultural property and vacant land.

This neighborhood has experienced little growth in recent years. The two properties along the east and west boundaries of the subject, Montana Equine and Cenex petroleum, are very likely the most recent developments in the immediate area. In addition, the Gallatin County landfill is located approximately 5 miles southeast of the subject which is accessed from the I-90/Logan off-ramp. Logan is a small community with little to no services.

The subject property is bordered by I-90 on the south, Montana Equine on the west, Cenex Petroleum on the east and the active rail line on the north.

REAL ESTATE TAXES

The subject property is owned by the State of Montana and is currently exempt from taxation. If the parcel sells and is in private ownership it will be subject to taxation. The improvements are owned by the lessee and are being taxed by the various taxing authorities.

The Montana State Department of Revenue, working through each county courthouse, appraises all taxable real estate, presumably at market value. State law has prescribed that a re-evaluation plan be completed periodically. The most recent statewide reappraisal was completed on December 31, 2002, which is for tax years 2003 thru 2008. Single family dwellings are predominately valued based upon the sales comparison approach. When market data proves to be unreliable, Montana Department of Revenue appraisers will use replacement cost, less depreciation. For commercial property, appraisers have relied most heavily on the cost approach, but in areas where sufficient income and expense data is available, the income approach is being considered more and more. Industrial property is valued based upon the cost approach. The Marshall Valuation Service Cost Manual is heavily used by the Montana Department of Revenue appraisers. Other non-public data, resulting from the Real Estate Financial Disclosure Act, is also considered.

Due to the fact that the Department of Revenues values are based upon pre 2003 market data, the current market values may or may not be indicative of the value for tax purposes depending on the changing market conditions. The Montana Legislature has recognized that real estate values have been increasing significantly, therefore, it enacted into law a phase-in process along with a value exemption for residential and commercial property. The phase-in process for the current reappraisal cycle is 16.66% per year for both classes of property. The exemption for residential property is 31% for tax year 2003 and increases incrementally to 34% for tax year 2008 and succeeding years. The exemption for commercial property is 13% for tax year 2003 and increases incrementally to 15% for tax year 2008 and succeeding years. The market value depicted on the tax statements is the value after the phase-in and exemption adjustment. This value is also referred to as the "Taxable Market Value". The tax rate is then applied to the taxable market value to establish the taxable value. The tax rate for 2003 is 3.40% and is adjusted downward annually, until it reaches 3.01% in 2008. Each of these adjustments to the Department of Revenues market value determination is an attempt to keep real estate taxes relatively equal to previous tax years. The final step in determining the general property tax is by multiplying the taxable value by the jurisdictional mill levy. The following table illustrates **examples** of how the taxes are determined for a residential and a commercial property:

Residential			Commercial		
2003 full reappraisal value		\$150,000	2003 full reappraisal value		\$1,500,000
2002 value before reappraisal	-	\$100,000	2002 value before reappraisal	-	\$1,000,000
Increase from reappraisal		\$50,000	Increase from reappraisal		\$500,000
16.66 phase-in on increase	x	16.66%	16.66 phase-in on increase	x	16.66%
Phase-in amount		\$8,330	Phase-in amount		\$83,300
2002 value before reappraisal	+	\$100,000	2002 value before reappraisal		\$1,000,000
2003 phase-in value		\$108,330	2003 phase-in value		\$1,083,300
Exemption (31%)	x	69%	Exemption (13%)	x	87%
2003 taxable value		\$74,747			\$942,471
Tax rate	x	3.40%	Tax rate	x	3.40%
Taxable value		\$2,541	Taxable value		\$32,044
Mill levy (.450)	x	.450	Mill levy (.450)	x	.450
General Property Taxes		\$1,144	General Property Taxes		\$14,420
This example is for illustrative purposes only. Mill levies vary by school district and taxing jurisdiction.					

The tax bill sets forth the taxable market values and taxable values for the land and improvements. As noted above the mill levy is applied against taxable value to obtain the dollar amount of general taxes. General taxes and perpetual improvement district charges are listed for the first and second halves of the year. Real estate taxes are paid in arrears, with the first half due in November of the current year and the second half due in May of the following year. As previously noted the subject site is currently exempt from taxation.

PROPERTY DESCRIPTION

Site

Size:

Gross area: \pm 34.42 acres.

Net area: 26.68 acres as determined from the State of Montana Cadastral Mapping. The net area is utilized in this appraisal for valuation purposes.

Shape:

The subject parcel is irregular in shape.

Topography:

The parcel has mild sloping topography.

Soil Conditions:

Soil conditions are unknown. No soil tests were provided to your appraiser.

Easements:

No title policy was provided to your appraiser. A title policy should be used for the final determination of easements and encroachments.

Access:

It was reported the subject property **does not** have legal access and is currently be accessed from the adjacent property to the west, Montana Equine. Montana DNRC Trust Land Management Division, Supplemental Appraisal Instructions, states *"Landlocked parcels, (parcels with no legal access), will be appraised with the hypothetical condition of having legal access and should be appraised as the property currently exists, which is without legal access, ("as is"). If evidence through reasonably recent sales of comparable properties is available in the subject's market or similar markets, provide the value of the subject property, as it currently exists without access."*

Utilities:

The subject is located outside an area served with community services, i.e., water and sewer. Properties in this area are

served by private wells and septic systems. In addition, the Bozeman city limits and properties in this vicinity are served by private wells and septic systems. Electrical service is available and propane is used in the area. In addition, phone service is available throughout the area.

Functional Adequacy:

The subject parcel is located west of the town of Logan, and is bordered by Interstate 90 on the south, private property on the east and west, the active rail line to the north. The property has direct exposure to I-90 and is approximately ¼ mile west of the I-90/Logan off-ramp. Access to the subject property is from the adjacent property to the west, Montana Equine.

Flood Plain:

The area of this property has been mapped for flood hazards and is NOT within the regulatory floodplain as shown in the Flood Insurance Study, Gallatin County, Montana, Federal Emergency Management Agency; August 1, 1984. The area of this property is NOT within the 100-year floodplain as depicted on the Flood Insurance Rate Map, Community-Panel Number 300027-0190B, Federal Emergency Management Agency; August 1, 1984. This area is shown as being in Zone C, an area with minimal flooding.

Nuisances or Hazards:

Access to the property is from the adjacent private property to the west which has an access agreement across the active rail line.

Site Improvements:

The perimeter of the property is fenced with barbed wire.

SUBJECT PROPERTY PHOTOGRAPHS



View of the north boundary of the subject looking east.



View of the west boundary of the subject looking south.

SUBJECT PROPERTY PHOTOGRAPHS



View of the east boundary of the subject looking south.



View of the approximate location of the north triangular piece of the subject parcel.

ZONING

The subject property has no underlying zoning.

HIGHEST AND BEST USE

"The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible and that results in the highest value."¹

The definition above applies to the highest and best use of vacant land or improved property. It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use.

Quite often in estimating the highest and best use of land, the appraiser is controlled by governmental regulations. These controls are generally zoning ordinance, parking requirements and building codes. Also, in the estimate of highest and best use, one must recognize the attitude of typical investors in the marketplace.

Real estate will usually fall into certain definite development patterns, and their uses can be classified as: residential, agricultural, recreational, industrial, commercial or public use. In valuing the highest and best use of the land both as if vacant and improved, the following criteria must be met. 1) legally permissible, 2) physically possible, 3) financially feasible, and 4) maximally productive.

HIGHEST AND BEST USE AS VACANT

Legally Permissible

An investigation at the Gallatin County Planning Office revealed the subject property is not zoned and therefore has no use restrictions.

Physically Possible

This immediate area is improved with a mix of residential (mobile home park and

¹ *The Appraisal of Real Estate, 12th Edition*, (Appraisal Institute, 2001), p. 305.

agricultural single family dwellings), commercial, industrial, and agricultural uses. The site's best attribute is its location along I-90 and being near the I-90/Logan off-ramp. The subject site has a mild to sloping topography and soil conditions in the area have been proven adequate for development. Because there is no zoning most any use is physically possible.

The subject property has no legal access and is currently being accessed from the adjacent property to the west. The "Assignment Conditions" as provided by the client instruct the appraiser to appraise the property as though legal and physical access exists.

Financially Feasible

The Logan area has not experienced much in the way of development in recent years. The most recent developments are the two properties adjacent to the subject, Montana Equine and Cenex Petroleum. In addition, Gallatin County has its Landfill located approximately 5 miles to the southeast of the subject.

Based upon the exposure along I-90 and proximity to the I-90/Logan off-ramp the financially feasible use for the subject is for commercial/industrial use. An additional attribute to the subject site is the potential for highway signage.

Maximally Productive

The use that conforms to the requirements of the first three tests, and would provide the maximum productivity of the subject site, is for commercial/industrial use.

PROPERTY VALUATION

Methods and/or Techniques Employed:

Whenever possible, all three basic approaches to value are utilized. The resulting indications of value are then correlated into a final estimate of market value. In the course of investigating the marketplace where this valuation will be made, sufficient data was found to employ the sales comparison approach.

DEFINITIONS

Sales Comparison Approach:

A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison and making adjustments to the sales price of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant.²

The reliability of this technique is depended upon (A) the availability of comparable sales data, (B) the verification of sales data, (C) the degree of comparability or extent of adjustment necessary for time differences, and (D) the absence of non typical conditions affecting the sales price.

²The Appraisal of Real Estate, 12th Edition, Page 417, 2001, sponsored by the Appraisal Institute.

SITE VALUATION

The method employed to value the site as if vacant and available for sale is the Sales Comparison Approach. An investigation of the market revealed three sales and two listings which are indicative of what a well informed buyer or seller would consider in forming an opinion of value. Descriptive data of these sales are contained in the Addenda.

Adjustments

All of the comparable properties differ somewhat from each other, and from the subject in various ways. The usual differences are for cash equivalency, market conditions, location, and a number of physical characteristics. Many of these factors, in varying degrees, are applicable in the appraisal of the subject property. When dissimilarities are found in comparable properties, they are adjusted for by adding to the comparable price when the dissimilar factor is inferior to the same factor found in the subject property. Likewise, a minus adjustment should be made when the comparable sale has a factor which is superior to that found in the subject property. The sale properties, then, are adjusted to the subject property.

However, in the market it is often difficult and sometimes impossible to accurately isolate a given factor. In short, one very seldom finds sales which are identical in all respects but one, and thus is able to prove conclusively the value, or lack of it, for any one factor due to a difference in sale price. Often, there are plus and minus factors which offset each other. Thus, the use of subjective judgment, to some degree, may be exercised.

Nevertheless, the differences in values are real and adjustments based on as much fact as can be found, will be made. Then, the appraiser may call upon his experience to make subjective judgments.

Property Rights

Each of the sales involves fee simple property rights. As a result, no property rights adjustments are warranted.

Financing:

All sales are cash to the seller or on terms considered cash equivalent, and no adjustments are required.

Conditions of Sale:

It was reported the buyer of the property for Sale No. 1 was motivated based upon proximity to the active rail line and I-90. Although there may be some validity to this position, nothing could be extracted from the market to indicate a market adjustment. No conditions motivating the buyer or seller involved in the remaining transactions are known or reported, therefore no adjustments are required.

Expenditures Immediately After Sale:

None of the sales required expenditures immediately after sale, and therefore no adjustments are required.

Market Conditions:

An adjustment for market conditions is required to bring all comparable sales up to the effective date of the appraisal report, August 21, 2008.

I spoke with local area real estate professionals and it was reported there has been little to no appreciation in land values in the Logan area. Therefore, I have not applied an appreciation factor to the land sales used within this analysis.

Remaining Adjustments:

The remaining adjustments will be explained in a qualitative analysis which is an effective technique that recognizes the inefficiencies of a real estate market and the difficulty in expressing the adjustments with mathematical precision. The adjustments included in the qualitative analysis are location, size, highway exposure and zoning.

Property access would be a considered adjustment in the value of the subject property, as the subject lacks legal access. In fact, the "Assignment Conditions" for this appraisal states:

"Landlocked parcels, (parcels with no legal access), will be appraised with the hypothetical condition of having legal access and should be appraised as the property currently exists, which is without legal access, ("as is"). If evidence through reasonably recent sales of comparable properties is available in the subject's market or similar markets, provide the value of the subject property, as it currently exists without access. Include details of an adjustment in appraised value due to lack of access. If no evidence through reasonably recent sales of comparable properties is found in the subject's market or similar markets, and thus no "as is" value can be properly supported, then state such in the report. As with lack of legal access, adjustments for additional items such as lack of land improvements, etc. will be supported by analysis of the pertinent subject market data through sales pairings or other analytical methodology. In moderately to rapidly changing markets,

historic information may not be as relevant as more current market information. (Note: Access typically consists of two parts; legal access and physical accessibility. The above references to access, hypothetical and “as is” are in regards to legal access. The physical accessibility to the subject parcel is to be appraised as it currently exists.)”.

The local market was thoroughly researched and no land sales were discovered that lacked legal or physical access. Therefore, the value conclusion in the following sales assumes the subject property has legal and physical access.

LAND SALE LOCATION MAP

LAND SALE ADJUSTMENT GRID

	Subject	Sale 1	Sale 2	Sale 3	Sale 4
Sale Price		\$800,000	\$139,000	\$134,000	\$225,000
Size (SF)	26.68 acres	80.859 acres	7.323 acres	20.25 acres	30.33 acres
Price Per Acre		\$9,894/AC	\$18,981/AC	\$6,617/AC	\$7,418/AC
Location	Adjacent to I-90 Logan, MT	Adjacent to I-90 Logan, MT	Adjacent to I-90 Logan, MT	Adjacent to Highway 2 Three Forks, MT	¼ mile south of I-90 5 miles E. of Three Forks, MT
Comparison		Similar	Similar	Inferior	Inferior
Size	26.68 acres	80.859 acres	7.323 acres	20.25 acres	30.33 acres
Comparison		Inferior	Superior	Similar	Similar
Highway exposure	Good	Good	Good	Average	None
Comparison		Similar	Similar	Inferior	Inferior
Zoning	None	None	None	None	None
Comparison		Similar	Similar	Similar	Superior
Overall Comparability		Inferior	Superior	Inferior	Inferior

Sales Analysis:

Per the legal description provided by the client the total area of the subject property is 34.42 acres with a useable area of approximately 27 acres. The State of Montana Cadastral Mapping suggests an area of 26.68 acres. For this analysis I've used 26.68 acres when estimating an indication of market value. The subject property is located along the north side of I-90, just west of the Logan off-ramp. The property is currently being leased for grazing purposes. As previously noted the subject property does not have legal access and physical access is from the adjacent property. Each of the sales in the following analysis has legal and physical access and the value conclusion reflects this characteristic.

Sale No. 1 occurred on August 26, 2006 for 80.859 acres at \$800,000 or \$9,894/AC. This property is along the north side of I-90, adjacent to the Logan off-ramp and borders the subject property along the east boundary. This property has rolling topography and has, and continues to be, developed with petroleum storage tanks and rail spur line. It was reported the buyer of this site was

motivated as a result of being located adjacent to the Interstate and rail line. This property is considered similar to the subject with respect to location, highway exposure, and zoning, but inferior with respect to size. On an overall basis, based upon the qualitative adjustments, this sale is considered inferior as a result of its larger size. When considering the buyer motivation this sale is considered slightly inferior similar to the subject property.

Sale No. 2 occurred on August 8, 2006 for 7.323 acres at \$139,000 or \$18,981/AC. This property is along the north side of I-90 and borders the subject property along its east boundary. This property has mild sloping topography and has access from the frontage road along the north. The buyer of this site has an access agreement with the railroad to cross the active rail line and has been developed with a large animal veterinary clinic. This property is considered similar to the subject with respect to location, highway exposure, and zoning, but superior with respect to size. Overall this sale is superior to the subject based upon its smaller size.

Sale No. 3 occurred on January 17, 2008 for 20.25 acres, at \$134,000 or \$6,617/AC. This property is located along the east side of Highway 2 just west of Three Forks, MT. This property has frontage along the Jefferson River and is located within the 100 year flood plain. This property was purchased by an adjacent property for assemblage purposes. This sale is considered similar to the subject with respect size, and zoning, but inferior with respect to location and highway exposure. Overall, this sale is inferior to the subject property.

Sale No. 4 occurred on August 30, 2006 for 30.33 acres, at \$225,000 or \$7,418/AC. This property is located approximately ¼ south of I-90, approximately 5 miles east of Three Forks, MT. and along a gravel road. This property has been developed with a shop building and it was reported the site is located within the 100 year flood plain. The selling agent indicated this property does not show signs of high ground water and if development were sought where a septic system was required application would need to be brought before the proper government agencies. This sale is considered similar to the subject with respect size, and zoning, but inferior with respect to location and highway exposure. Overall, this sale is inferior to the subject property.

Sale No.'s 1 and 2 are the most similar to the subject as they lie along the east and west boundary of the subject site. Sales No.'s 3 and 4 are both inferior as a result of location/highway exposure.

Sale No.'s 1 and 2 are the most similar to the subject as they lie along the east and west boundary of the subject site. Sales No.'s 3 and 4 are both inferior as a result of location/highway exposure.

Placing greatest emphasis on Sale No's 1 and 2, it is my opinion a reasonable indication of

market value for the subject property, when taking into account the Hypothetical Conditions on pages 8 and 9, is **\$11,000 per acre or \$293,480.**

Rounded: \$293,500

VALUE ESTIMATE AND CERTIFICATION

The undersigned does hereby certify that, to the best of his knowledge and belief, except as otherwise noted in this appraisal report:

1. The statements of fact contained in this report are true and correct.
2. The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and/or those found in the letter of engagement or appraisal consultation contract authorizing this report and is my personal, impartial, and unbiased professional analysis, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting a predetermined.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. This appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan.
7. My analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with The Uniform Standards of Professional Appraisal Practice and with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
9. I have made a personal inspection of the property that is the subject of this report.
10. Gregory A. Thornquist is currently licensed in the State of Montana (Certificate #867) as a Certified General Real Estate Appraiser. Regarding the Competency Provision of USPAP, I further attest I've had substantial approved education and experience in the appraisal of vacant land and commercial property.

Based upon all the elements of which I am aware of and which could reasonably affect value, I have estimated market value of the subject site, as of August 21, 2008, to be:

Two Hundred Ninety Three Thousand Five Hundred Dollars*

\$293,500*

September 2, 2008

Date

Gregory A. Thornquist,
General Certified Appraiser

* This value is subject to the Hypothetical Conditions on pages 8 & 9.